

### Market Overview

In the fourth quarter (Q4) of 2022, the Federal Reserve (Fed) released minutes from the central bank's September meeting. In these notes, officials expressed surprise at the pace of inflation and indicated that they expect higher interest rates to remain in place until prices come down. Leading up to September's 75 basis points (bps) hike, policymakers noted that inflation was taking its toll on lower-income Americans. However, with inflation showing little sign of abating, the Fed raised its assessment of the path of the federal funds rate in order to achieve the Committee's goals.

U.S. Gross Domestic Product (GDP) rose 2.6% in the quarter, actualizing the sum of all goods and services produced from July through September, versus an estimate of 2.3%. This increase reversed the decline from the first six months of 2022. Gains for the quarter came from increases in consumer spending, government spending, and non-residential fixed investment.

The Federal Open Market Committee (FOMC) continued to raise interest rates, by 75 bps, in November, moving the target range for the federal funds rate between 3.75% to 4.00%. After four consecutive 75 bps rate hikes this year, Chairman Jerome Powell indicated that the Fed may slow down the pace of rate increases. Although still seeing few signs of inflation abating, committee members expressed concern about the risks to the financial system, should the Fed continue to press forward at the same aggressive pace.

The Bureau of Labor Statistics reported that the latest Consumer Price Index (CPI) identified increases of 0.4% for the month and 7.7% from a year ago. Both numbers are lower than previous estimates. Excluding volatile food and energy costs, the so-called core CPI increased 0.3% for the month and 6.3% on an annual basis, again, lower than expectations.

On December 14, 2022, the FOMC raised interest rates by 50 bps to between 4.25% and 4.50%, the highest level since December 2007. Looking forward to 2023, the committee expects a "terminal rate" of 5.1%, the equivalent of a target range of 5.00-5.25%. The Fed's "dot plot" confirmed this view with 17 of the 19 "dots" above 5% in 2023 with 7 of 19 committee members seeing rates above 5.25% in 2023. While October and November inflation data showed a reduction in the pace of price increases, Chairman Powell stated that "it will take substantially more evidence to have confidence that inflation is on a sustained downward path." For 2024, the FOMC projected that rates would fall to 4.1%.

### Quarter in Review

In Q4 of 2022, of the constituents of the NASDAQ-100, 75 were in positive territory. The top three performing stocks in the index were Moderna (up +51.9%), Baker Hughes (up +41.8%), and Intuitive Surgical (up +41.6%). The bottom three performing stocks in the Index were Tesla (down -53.6%), Lucid Group (down -51.1%), and Rivian Automotive (down -44.0%).

The top five weighted components of the NASDAQ-100, representing over 40% weighting in the Index, had mixed results for Q4. Heavyweights such as Apple (down -5.8%), Alphabet (down -7.7%), and Amazon (down -25.7%) heavily impacted the index this quarter. The two shining lights in the top five were Microsoft (up +3.3%) and NVIDIA (up +20.4%).



# QQCC Quarterly Commentary

## Horizons NASDAQ-100 Covered Call ETF

Q4 2022

The fourth quarter continued to be overshadowed by high volatility, high inflation, and the invasion of Ukraine by Russian forces. Henry Hub Natural Gas Futures opened the period at \$6.76 (MMBtu), continuing its rollercoaster year as futures reached a quarter low of \$4.37 on December 30, before ending the period at \$4.47. NYMEX Crude Oil Futures opened the period at \$79.49 per barrel and was range bound (\$94 - \$70) through most of the quarter before closing the period at \$80.26. Quarter results were significantly off their year-highs of \$130.50 on March 7, 2022.

### Outlook and Positioning

Due to geopolitical tensions, consistent high inflation, and uncertainty concerning interest rate increases, market volatility has remained. Although this has been hurtful for equity prices and has provided instability in the market, it has benefitted the covered call strategy due to the call options premiums rising as a percentage of the banks' stock prices.

During each month, options are dynamically written on the holdings in the portfolio of QQCC. The ETF's monthly distributions are not fixed, but vary as the premiums generated from covered call writing are earned and passed through, and will change with fluctuations in implied volatility and the duration of time to option expiration. Distributions also vary based on the timing of dividends received from the underlying securities in QQCC's portfolio during the period.



**HORIZONS** ETFs  
by Mirae Asset

**The investment objectives of the Horizons NASDAQ-100 Covered Call ETF ("QQCC") (formerly Horizons Enhanced Income International Equity ETF ("HEJ")) were changed following receipt of the required unitholder and regulatory approvals. The new ticker began trading on the TSX on June 27, 2022. For more information, please refer to the disclosure documents of the ETFs on [www.HorizonsETFs.com](http://www.HorizonsETFs.com).**

Commissions, management fees and expenses all may be associated with an investment in Horizons NASDAQ-100 Covered Call ETF ("QQCC" or the "ETF") managed by Horizons ETFs Management (Canada) Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. The prospectus contains important detailed information about the ETF. **Please read the relevant prospectus before investing.**

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